Achieving Operational Excellence and Customer Intimacy - Enterprise Application: Border States Industries Inc. (BSE) (Chap. 9)

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2013-11-27
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Chap. 9
Achieving
Operational Excellence
and
Customer Intimacy –
Enterprise Application:
Border States Industries Inc. (BSE)

1. What problems was Border States Industries encountering as it expanded? What management, organization, and technology factors were responsible for these problems?

2. How easy was it to develop a solution using SAP ERP software? Explain your answer.

3. List and describe the benefits from the SAP software.

4. How much did the new system solution transform the business? Explain your answer.

5. How successful was this solution for BSE? Identify and describe the metrics used to measure the success of the solution.

6. If you had been in charge of SAP’s ERP implementations, what would you have done differently?

Overview of Fundamental MIS Concepts

Business Challenges

Management
Organization
Technology

Information System

Business Solutions

Understanding Business Model

- Business Model
- Revenue Model
- Business Strategy
- Business Strategy and Information System Alignment
Business Model

1. Customer Segments
2. Value Proposition
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Activities
7. Key Resources
8. Key Partners
9. Cost Structure

Business

• “the activity of providing goods and services involving financial, commercial and industrial aspects.” (WordNet 2.0)
Model

• “a simplified description and representation of a complex entity or process.” (WordNet 2.0)
Business Model

• A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm.

• Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
E-commerce

Business Models

1. Portal
2. E-tailer
3. Content Provider
4. Transaction Broker
5. Market Creator
6. Service Provider
7. Community Provider

E-commerce

Revenue Models

1. Advertising
2. Sales
3. Subscription
4. Free/Freemium
5. Transaction Fee
6. Affiliate

Types of E-commerce

1. Business-to-consumer (B2C)
2. Business-to-business (B2B)
3. Consumer-to-consumer (C2C)
4. Mobile commerce (m-commerce)

### Occurrences of the Term "Business Model" in Scholarly Reviewed Journals

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model Concept Hierarchy

Source: (Ostenwalder, Pigneur and Tucci, 2005)
EVOLUTION OF THE BUSINESS MODEL CONCEPT

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Business Process Model

• Business Model
  – a view of the firm's logic for creating and commercializing value

• Business process model
  – how a business case is implemented in processes

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Strategy

• Business Models
  – a system that shows how the pieces of a business fit together.
  – an abstraction of a firm's strategy

• Strategy
  – includes competition

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Implementing Business Models

Management defines and designs a business concept that responds to market circumstances.

Management works out a financial structure for the business model (e.g. internal funding, venture capital, stock).

The business model is implemented into business structure, business processes and

Source: (Ostenwalder, Pigneur and Tucci, 2005)
The Business Model's Place in the Firm

Source: (Ostenwalder, Pigneur and Tucci, 2005)
# Nine Business Model Building Blocks

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<td>Value Proposition</td>
<td>Gives an overall view of a company's bundle of products and services.</td>
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<td>Customer Interface</td>
<td>Target Customer</td>
<td>Describes the segments of customers a company wants to offer value to.</td>
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<td>Distribution Channel</td>
<td>Describes the various means of the company to get in touch with its customers.</td>
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<td>Relationship</td>
<td>Explains the kind of links a company establishes between itself and its different customer segments.</td>
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<td>Infrastructure</td>
<td>Value Configuration</td>
<td>Describes the arrangement of activities and resources.</td>
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<td>Core Competency</td>
<td>Outlines the competencies necessary to execute the company's business model.</td>
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<td>Partner Network</td>
<td>Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.</td>
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<td>Financial Aspects</td>
<td>Cost Structure</td>
<td>Sums up the monetary consequences of the means employed in the business model.</td>
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<td>Revenue Model</td>
<td>Describes the way a company makes money through a variety of revenue flows.</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Domains Addressed in Business Models

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
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<td>How can we deliver value at an appropriate cost?</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Planning, Changing and Implementing Business Models

The management analyzes the current business model's adequacy to environmental pressures and designs a new business model.

The new business model becomes a goal to achieve and guides planning, change and implementation.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Strategy and Information Systems Alignment

Managers are aware of the use of Information Systems to realize goals, exploit opportunities and obtain competitive advantage.

Information Systems support the company's business model and are targeted on areas that are critical to successful business performance.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business and IT/IS Alignment

Source: (Ostenwalder, Pigneur and Tucci, 2005)
### Infrastructure Alignment

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Adapted from Weill and Vitale [2002]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Application Portfolio Management

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Adapted from Ward [1988]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
# Business Models and Goals for Requirements Engineering

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model and Balanced Scorecard

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Adapted from Kaplan and Norton [1992]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Definition of Business Model

A business model describes the rationale of how an organization creates, delivers, and captures value.

Business Model Canvas

https://www.youtube.com/watch?v=QoAOzMTLP5s
# The 9 Building Blocks of Business Model

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The 9 Building Blocks of Business Model
1. Customer Segments

Defines the different groups of people or organizations an enterprise aims to reach and serve

2. Value Propositions

Describes the bundle of products and services that create value for a specific Customer Segment

3. Channels

Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition

4. Customer Relationships

Describes the types of relationships a company establishes with specific Customer Segments

5. Revenue Streams

Represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)

6. Key Resources

Describes the most important assets required to make a business model work

7. Key Activities

Describes the most important things a company must do to make its business model work

8. Key Partnerships

Describes the network of suppliers and partners that make the business model work

9. Cost Structure

Describes all costs incurred to operate a business model

The 9 Building Blocks of Business Model

1. Customer Segments
   – An organization serves one or several Customer Segments.

2. Value Propositions
   – It seeks to solve customer problems and satisfy customer needs with value propositions.

3. Channels
   – Value propositions are delivered to customers through communication, distribution, and sales Channels.

4. Customer Relationships
   – Customer relationships are established and maintained with each Customer Segment.

The 9 Building Blocks of Business Model

5. Revenue Streams
   – Revenue streams result from value propositions successfully offered to customers.

6. Key Resources
   – Key resources are the assets required to offer and deliver the previously described elements...

7. Key Activities
   – ...by performing a number of Key Activities.

8. Key Partnerships
   – Some activities are outsourced and some resources are acquired outside the enterprise.

9. Cost Structure
   – The business model elements result in the cost structure.

Key Partners

6. Key Activities

2. Value Proposition

4. Customer Relationships

7. Key Resources

3. Channels

8

1. Customer Segments

9. Cost Structure

5. Revenue Streams

Business Model Generation

Business Model Generation

**Production and Logistics**
Anything beyond content creation is outsourced to readily available service providers.

**Differentiation**
An entirely different format, business model, and story for the book make it stand out in a crowded market.

**Community**
The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

**Buyers**
Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.

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**The Canvas of Business Model Generation**

**Reach**
A mix of direct and indirect channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

**Revenues**
The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

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Enterprise Systems

• Also called
  “enterprise resource planning (ERP) systems”

• Suite of integrated software modules and
  a common central database

• Collects data from many divisions of firm for use in
  nearly all of firm’s internal business activities

• Information entered in one process is immediately
  available for other processes

Enterprise Software

• Built around thousands of predefined business processes that reflect best practices
  – Finance/accounting: General ledger, accounts payable, etc.
  – Human resources: Personnel administration, payroll, etc.
  – Manufacturing/production: Purchasing, shipping, etc.
  – Sales/marketing: Order processing, billing, sales planning, etc.

• To implement, firms:
  – Select functions of system they wish to use
  – Map business processes to software processes
    • Use software’s configuration tables for customizing

HOW ENTERPRISE SYSTEMS WORK

Finance & Accounting
- Cash on hand
- Accounts receivable
- Customer credit
- Revenue

Centralized Database
- Orders
- Sales forecasts
- Return requests
- Price changes

Sales & Marketing
- Materials
- Production schedules
- Shipment dates
- Production capacity
- Purchases

Human Resources
- Hours worked
- Labor cost
- Job skills

Manufacturing & Production
Business value of enterprise systems

• Increase operational efficiency

• Provide firm wide information to support decision making

• Enable rapid responses to customer requests for information or products

• Include analytical tools to evaluate overall organizational performance

Supply Chain Management Systems: NIKE’S SUPPLY CHAIN

Upstream:
- Tier 3 Suppliers
- Tier 2 Suppliers
- Tier 1 Suppliers
- Contract Supplier

Capacity, inventory level, delivery schedule, payment terms

Downstream:
- Nike
- Distributor
- Retailer
- Customer
- Contract Supplier

Orders, return requests, repair and service requests, payments

Supply Chain Management Systems: THE BULLWHIP EFFECT

Bullwhip effect: Information about product demand gets distorted as it passes from one entity to next across supply chain

Supply Chain Management Systems: THE BULLWHIP EFFECT

**Push-Based Model**

- **Supplier**
  - Supply to forecast
- **Manufacturer**
  - Production based on forecasts
- **Distributor**
  - Inventory based on forecasts
- **Retailer**
  - Stock based on forecasts
- **Customer**
  - Purchase what is on shelves

**Pull-Based Model**

- **Supplier**
  - Supply to order
- **Manufacturer**
  - Produce to order
- **Distributor**
  - Automatically replenish warehouse
- **Retailer**
  - Automatically replenish stock
- **Customer**
  - Customer orders

THE FUTURE INTERNET-DRIVEN SUPPLY CHAIN

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

- **Sales**
  - Telephone sales
  - Web sales
  - Retail store sales
  - Field sales

- **Marketing**
  - Campaign data
  - Content
  - Data analysis

- **Service**
  - Call center data
  - Web self-service data
  - Wireless data

HOW CRM SYSTEMS SUPPORT MARKETING

Responses by Channel for January 2011 Promotional Campaign

- Direct Mail: 29.2%
- Telephone: 30.8%
- Web: 16.0%
- E-mail: 17.3%
- Cell Phone Text Message: 6.7%

CRM SOFTWARE CAPABILITIES

CUSTOMER LOYALTY MANAGEMENT PROCESS MAP

ANALYTICAL CRM DATA WAREHOUSE

Channels
- Call center
- Web site
- Wireless
- Field sales
- Direct mail
- E-mail
- Retail store
- Partner

Other sources
- Legacy systems
- Demographic data
- Third-party data
- Marketing campaign data

Customer data
- OLAP
- Data mining
- Other data analysis tools

Customer data warehouse
- Profitable customers
- Market segments
- Customer profiles
- Churn rates

ORDER-TO-CASH SERVICE

Customer

Leads  Orders  Availability  Fulfillment  Billing

Composite process

Order-to-cash

Integration layer

Existing systems

CRM  SCM  ERP  Other systems

Amazon vs. Walmart: Which Giant Will Dominate E-commerce? (Chap. 10) (pp. 436-438)

1. What concepts in the chapter are illustrated in this case?

2. Analyze Amazon and Walmart.com using the value chain and competitive forces models.

3. What are the management, organization, and technology factors that have contributed to the success of both Wal-Mart and Amazon?


5. Where would you prefer to make your Internet purchases? Amazon or Walmart.com? Why?

資訊管理個案
(Case Study for Information Management)

1. 請同學於資訊管理個案討論前
   應詳細研讀個案，並思考個案研究問題。

2. 請同學於上課前複習相關資訊管理相關
   理論，以作為個案分析及擬定管理對策
   的依據。

3. 請同學於上課前
   先繳交個案研究問題書面報告。
References


– 周宣光 譯 (2011)，資訊管理系統—管理數位化公司，第12版，東華書局
